INCOMING TELEGRAM

Department of State

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Reo'd: FROM: Bonn (VIA POUCH) Info TO: Secretary of State RMR 2387, February 4, 3 p.m. NO: SS G SP C W SAE L 62A.00/2-458 TNR P UOP **UMSA** E IRC DCL **LCA** OCB US LA CTA OSD ARMY HBS AJR NIC PERMANENT SECRET

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always been problematical), has given way to view that more immediate problem is international agreement which will reduce dangers of war.

Che problem facing Govt is apparent anomaly in German undertaking to raise singulable army equipped only to fight limited war in area where it usually assumed hostilities will mean general war. In this connection, advances in missile development during 1957 and discussion of stationing Industry in Parope raised new problems for Germans. This occurs at time when mounting costs of defense outlays beginning to pose real political difficulty. Cort new faced with prospect for first time of deficit financing to meet conden in defense costs. Amongst public, patience appears to be starting to wear thin with continuation of arms race which has thus for failed win concessions from Seviets; on contrary, Sputnik success was dramatic demonstration Seviets for from falling behind in contest.

En this atmosphere, Kerman lectures found receptive auditnes among certain German groups, which seem increasingly hungry for any sign of hope present deadlock can be evereened and that some relief from threat of war and growing defense burden is possible. However, pressure for negotiations with usen still within mangeable bundes made opinion but yet feeded on the problem, and to date down not confronted with tide of popular unrest. But beginnings of potentially difficult situation are at hand. When usually politically neutral and highly respected Federal President

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House injects himself into discussion of ourrent political controversy. as he did in New Year's mesuage, symptoms of malaise are unmistakable, and Soviets have increased opportunity to influence and explit this climate to guit their own purposes,

Another difficulty is that Gorman public now appears feel less urgency about need for defense effort and gives little indication of willingness make accrifices which will be required in next few years if present buildup schedule to be maintained. Immodiate threat of war as sensed at time of Ungary and Suoz has recoded, and danger of direct Soviet aggression not now considered great. Despite positive achievements, December NATO conference failed impart any great sense of urgancy or induce German public to devote greator efforts to defense. On contrary, most positive aspect of conference in indigatest Gorman press was indication willingness hold Fon Min meeting with USSI. Chancellor's statement at HATO meeting he would not object to exploration Soviet intentions, though in fact restrained and probably not designed as political initiative, was sensationalized by press and clearly in tume with current mood of country.

General sentiment prevails that something needs to be done, although ideas of exactly what could be achieved through negotiations are vague, and hopes for reaching major settlement are small. Impression given CISTRICITION. temporarily Adonauer changing course modified by his subsequent

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unchanged. He can continue to count on support of Corman population which is pro-Western and anti-Communist, but cannot completely disregard amorphous public hops for improved prospects of poace.

If processe remains strong in Nost for increased diplomatic activity,

Fed Govt cannot afford remain inactive and can be expected to inject

roundilection issue in any major a gettations. Fact that two-thirds of

eligible Commans have experimently vote in 1950 state election in which

notional questions usually play large role, will maintain processes.

Chanceller to consider public extensive of imblic epinion.

Management. Several levels of opinion operative in disarmament eres. Throt is public opinion, which though it carries less veight than in UI and UK and can be led more cautly, he feeter to be reconed. During year Common public appeared approach importance attracted to disarrement, and SPD even advocated bilateral US-Seviet negotiations on subject. Indoubtedly large rejerity Cormon would prefer to see some disarmament agreement reached than 25 this meant no importance advance toward remaining.

Describedens, desire for disamment is not all-cabracing or unqualified.

The there is healthy amount of scopticism about prespects of agreement especially in Cort. While Chanceller would welc:

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settlement which left West in relatively stronger position than Communist

Bloo, he appears concerned lest any agreement lull West into false sense
of security and make it pray to eventual Soviet expansion. Secondary
to this in importance may be Chancellor's expontation that disarmament
agreement would distract world attention from Germany and decrease leverage
for reunification. Finally, he probably reluctant to have negotiations on
this subject advance too far at present time when Germany still has nothing
to barter in negotiations and therefore would have voice in settlement only
at sufference of others, especially US. It will be recalled Chancellor walked
tightrops during London disarmament negotiations by trying to appear to German
public to favor disarmament while behind scenes actually taking very hard
ling.

Minister Weapons. Mostion of whother Fed Rop will have nuclear weapons will probably move rapidly toward resolution this year. Despite major effort by well organized opposition parties which made primary campaign issue of horrendous subject of nuclear weapons, they were unable to cost Govt significant number of votes. Govt was forced to handle issue delicately by saying question nuclear weapons for German army not yet soute, but left no Coubt it was leaving door open for such institutional army not yet soute.

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step. Embassy believes Govt can afford equip Bundsswehr with .
tactical nuclear weapons as far public opinion concerned if NATC

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Ac far as his personal attitude toward mucloar weapons concerned, seems likely Chancellor believes following:

- 1) He recognises nuclear vespons are factor of national power and that German army will not be significant force unless equipped with them;
- 2) If only for prestige reasons, he does not reliab prospect neighboring Western countries possessing such weapons if Fed Rep does not have them;
- 3) Recognizing inevitability decreased ground forces, he believes additional nuclear capability is only way NATO can counterbalance Russian technical progress and superiority in manpower.

We surmise Chancellor personally would be satisfied if Gorman army equipped with nuclear weapons under US custody and control. Straues and other key officials such as you maken't and Plankenhorn may have definite ambitions over long-run to acquire for Fed Rep its own stockpile of nuclear weapons. Relatively advanced French atomic energy program on one hand and extraordinarily changed French-German relations on other provide Gormans necessary vehicle. However, in view WEU prohibitions and provailing domestic and international political climate, we believe Fed Govt electing cautious approach at moment for tactical reasons. Chancellor remains firm in his democratic Germany with future based on role in united Europe

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nather them on German metionalism. But we are concerned over possibility of works some of his subordinates carrying into effect policies, implications of which he may not comprehend.

If Fed Rep achieves atomic independence, whole pattern of international power will be changed. Sections on relations with USSR and France treat the fills further.

Estations with United States. Present relations between German Govt and Use alve semewhat deceptive appearance. On surface they remained excellent during pact year. Both coalition and opposition parties followed unique practice of exploiting friendship with US as weapon in election campaign.

These unquestionably remains large reservoir of good will toward, and faith in US among German public but there is now less unquestioning acceptance of UB policion. Chancellor made no secret/private conversations during the policion what he considered failure Americans to assert aggressive leadership.

UATO mosting apparently helped repair this, and his past outburst appeared represent temporary irritations rather than any fundamental disaffection and are in fact reflection of his dependence on US. He remains foremest among German leaders who recognize Ped Rep remains dependent on US for its security both in form general deterrent US effects to Seviet aggression and more tengibly in overthese seviet sources and the contract of the security and the form general deterrent US effects to Seviet aggression and more tengibly in overthese Seviet Seviet actions.

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thus far, and consequently bulk their defense still rests with NATO troops.

1.0. as they see it. American troops. However, degree of German dependency on US beginning to decrease slightly. Severeignty, respectability and prospectively have been achieved, and economic aid and free military assistance now practically at end. By end 1958 Germans will have about 200,000 men in uniform. With further increase in German armed forces, decrease in dependence on US will continue, even though change will be one of degree and not kind.

Por coming year, at least, major reduction in US forces in Germany or possibility thereof would sause Govt major concern. But beyond that period, with gradual build-up of Gorman army, and particularly as missiles become operational, processes of large number American troops on German soil will access loss significance, and belief will probably grow it should prove reachible negotiate with USER on reduction US troops in Germany with less darger to Gorman security. Even staumbhost ODU supporters of hard line tend believe weapoury developments in coming two years will permit West increased flexibility in negotiations and there would no longer be constauration about possibility some eventual US reductions

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OS as result Soviet success. Subsequent struckle in US to attach bland for state of affairs and criticism of administration raised some doubts about American leadership. In this connection, Commun particularly critical of interservice rivalries. Note US responding to Soviet challenged by increasing our defense expenditures reassuring to Coult, but there is increasing tendency outside to maintain armanest offerts show not enough and greater diplomatic efforts also required.

HAND. Strong offostivo NATO remains important to Fed Rep because (A) it is basis on which US troops kept here and committed to Comman defence, and (D) it is framework within which Fed Govt can influence Vestern policies. HATO is also means by which Fed Rep can be first rate military power with access to meet modern and powerful equipment. For veriety of reasons—including internal political pressure, genuine consern about course East-West developments, and gravity problems facing Western alliance—Covt has given strong access to development MATO in political field. Greater NATO political constitution is means for ingreading Ventern solidarity; it is also means for magnifying Corona voice in Ventern councils. Covt likely continue pross for greater MATO consultation, but it can also be expected to use any other diplomatic nears available to it to further our interests.

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to NATO defence program for three year period which confirmed 12 division contribution and projected following churply rising defence expenditures: 1958-59. DM 13 billion; 1958-60. DM 15.9 billion; 1960-61. DM 19.9 billion. However, still required are major modifications to these plans to incorporate latest NATO planning (Norstad Plan) for force requirements through 1965 involving assumed availability of muclear-recket weapon systems. Also oritical question crising whether Fod Rop has budgetar/ capability for mosting planned defense expenditures without recourse to financial measures considered politically unacceptable. If schedule adhered to, as those bardons increasingly felt by taxpayors there will likely be intensification of interest in easier alternatives such as limited disarmament.

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Common-British Relations. With establishment KUNATON and Common
Market and closer military cooperation, 1958 will see strengthening of
Fed Rep's emphasis on its continental partnership in contrast to relationship with England. Respect for Britain which has long occupied fevered
position as U.S. ally, giving may to missivings about nation considered
in decline and one whose motives often suspect in matters concerning
European integration. Cormans immediately interpreted so-called Grand
Dosign as not too subtle British move to sabetage closer integration of
the Six, which is one of Adenauer's most cherished projects. Fed Rep has
accumed a leading position among Six and will presumably react similarly
coolly to any British move which might impede progress in this field.
Europear, Chancellor appears have no natural affinity for or comprehension
of British.

British forces are increasingly source of friction particularly in troublesome issue of support costs, but British threat to withdraw evokes mixed reaction. It disturbs Government because of strategic and political implications involved, but many Garmans would not be unhappy see British leave.

Commorcial rivalry and extraordinary German prosparity have embittered

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British toward Cormans, and latter conscious of this.

However difficult relationship with UK may be, it will continue necessary for Fed Covt to preserve Western solidarity and for this reason it will continue to sook amicable relationships with British.

Cormon-Fronch Relations. In direct contrast with Cormon-British relationship, was continued strongthening ties between Jermany and France. Latter two found moderately satisfactory compromises for their differences with respect to EURATON and Common Market, and worked hand in glove in diplomatic field. For example, Foreign Office and uni d'Orsay consulted and adopted parallel line on such matters as British troop cuts and Working Group on Rounification. As noted carlior, start has also been made toward Corman-French cooperation in weapons research and development. Proposents of independent source nuclear weapons for Fed Rep operate in expectation that in partnership with French, Cormany will predominate. This not pousible with UX.

In contrast, motivation of Changellor, as leader of prevailing German thought, is that of sincers European who regards Western integration as most decirable course for Cervany. Future of Franco-Corman relationship will seavely affected by policies of Adenauer's successors.

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For next year at least Fod Rop and French likely continue work closely together, further solidify ties among the Six, and place correspondingly less emphasis on accociation with UK or with the Seven in WEU. Insvitable concemicant, however, is Corman involvement in French financial and to some extent French colonial difficulties where Fed Covt might be helpful despite critical Corman public attitude toward French in these problems. Enerosic reintogration of Sear may cause come friction, but given present excellent state Corman-French relations should post no insurmountable difficulty.

Direct Integration. Hajor achievement during year was conclusion of agreements on Common Harket and EURATOM which enjoyed bipartisan cupport in Yed Rop. This marked milestone toward European integration, which finds broad public support in Yed Rop, where it is seen as positive and constructive approach to cure of many European ills. Appointment Hallstein as Fresident Common Market flattered Germans Deceated their enthusiasm for system in which they feel destined enjoy leading role. However, with signature of treaties most dramatic point of impact has probably passed. Hert year will be devoted to solving problems connected with cotablishing institutions and administration, and long drawn-out process required before taggible benefits become apparent.

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Moroover, implementation of treaties will create problems of adjustment and call for some sacrifices such as contribution of \$200 million for underdeveloped areas. This would be subject to increased criticium if economy declines and if situation in Africa deteriorates further. Vice Chanceller Erhard, among others, has always been lukeward toward Common Market in present form but can be expected to supportis at least as long Adonaver remains Chancellor. EURATON may offer more tangible and earlier results, and Fed Rep will undoubtedly cooperate extensively in basic research, especially with French.

While widesproud spaculation on adjustment of major. Buropean ourrencies largely abated during last quarter of 1957, outstanding strength of DN and Corman payments position fundamentally unchanged. Mounting EPU curpluses in 1957 caused Cormans embarrassment, and tendency for Germans to point finger at France and other debtors for improper figureial policies and overvalued currencies. Germany new troubled by having to assume major European responsibility for financing aid program for France. In Garman view, responsibility such as this is Greater than German economic capability, especially when viewed in

Light searcity of capital in Gormany, current and growing fiscal deficits,

burden of restitution payments, and amanment imports.

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Relations with USSR. Basic relationship between Fed Rep and USSR has not changed; Soviet Union remains major obstacle to reunification and continues give clear indication it intractable in this question. There has, however, been subtle change in tone of relationships between two Covernments during past year. New Soviet Ambassador Smirnov proved much more successful than predicensor Zerin in establishing contact with Fed Govt and politicians, and initially ill-starred repatriation nogotiations met smoother going at year's end. Certainly Chancellor has not changed his views on Soviet Union one lota, but Fed Govt relations with USSR are for moment much less harsh and more correct than heretofore.

Degree of firmmens which Adenauer shows publicly will depend greatly on Soviet tactios. Fear of consequences in satellites of reunification and fear of a strong united Germany will probably continue make Soviete unwilling to reunite Germany under existing circumstances. In present state prosperity and political stability in Fed Rep and in absence disturbances in East Zone suppressed by overwhelming Soviet force. pressure to change status quo is not great enough among Germans to cause serious trouble.

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However, acquisition of muclear weapons by Fed Rop might give this question different dimension, at least in

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eyes, since manifold increase in striking power of historic enemy with irridontiat domando on USSR would most likely be interpreted as sorious threat to their position. Accordingly, USBR probably will continuo efforts, as with Rapacki plan, to block such development. As they earlier tried to prevent German rearmament, Seviets are now trying to provent Bundeswehr from achieving maximum offactiveness. As long an Soviets follow proport adament line Fed Govt will not be forced to make difficult decisions or to revise present policies redically. However, if Soviets depart from position of blunt rejection rounification and appear to show gomuino interest in disarmament, Fed Covt may well feel compelled to appear more flexible and conciliatory. For example, if apparently concrete offer of rounification under free elections were made or basis of withdrawal all foreign foress, non-temberchip in NATOund arms limitations more stringent than in JEU, Fed Govt would be confronted with very difficult decision. There would then be much greater audience for thosellko SPD who now maintain US would be just as likely to defend Garmany in own self-interest if Soviets attack, as under NATO. These groups would then argue that removal of throat to posee by ending division of Cornary would outweigh risks. Sigra are undoubtedly other ways open to Soviets, but we expect

their interest in status que will severely restrict their franco

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of Garmans there seems no basis for deal with Soviets and any appearance of softness in Fed Govt name likely to be tectical and intended to counter accusations of inactivity in eastern policy or of being out of step with current world developments.

Rolations with Eastern States. They are complicated by Yugoslavian recognition of GDR. Against substantil opposition, Govt broke relations with Yugoslavia and believes this prevented recognition of GDR by other states. This utop has postponed desired normalization relations with foland, but Govt now again contemplating gradual moves in this regard.

Cormano supported US on China trade differential but steered cautious course between Red China and Nationalist China, refusing to recognize of there. Contacts between East and West German population by years end with strictor East zone travel controls restricting earlier heavy interzonal travel. Now All-German Affairs Minister Lemmor proceeding energetically to make this ministery more active but, given current policies of GER regime, it seems unlikely he can accomplish anything substantial to improve relations between two parts Germany.

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Borline Borlin's isolated position again demonstrated toward year's end when traffic out off during CNR currency conversion

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and when stricter East German controls were imposed on inter-sector travel and travel between Soviet Zone and Berlin. It became apparent, however, that controls were directed against East Germans more than Berlin, and at turn of your indications were that German travel between city and West would continue normally.

Situation Allied travel to Berlin and in and through Seviet some comewhat gloomier. At year end Seviets abruptly tried introduce new procedures in connection "recognized" travel, and their transfer to ODE of vica-issuing authority for "privileged" travel probably means such travel no longer possible for officials of Three Powers. Most potentially serious threat, however, was GDE claim to "air severeignty" and indications are that 1958 will bring increased difficulties in this respect as well as in connection "recognized" surface travel.

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Personalities. Influencing all major Govt decisions will remain small group of men who constitute power elite. Chancellor not only final authority in deciding between conflicting recommendations made within Govt but predominant formulator of policy as well. At present Chancellor tends increasingly to head advice of people intent primarily on good publicity. Leading among those is von Eckardt, considered by many a dilettante and opportunist in foreign affairs, and undoubtedly more devoted to getting Chancellor favorable press than to developing solid long-range policies, also, he is not regarded as friendly toward US. Eckardt lines up on side of another opportunist, Blankenhorn, to push for narrower, more national-minded approach to current problems, and although latter's appointment as State Secretary in Foreign Office has been staved off for present at least, as result resistance by Brontane and others, he still has Chancellor's ear and is unpredictable influence.

Among most dynamic and wily leaders in Bonn is Defence Limister Strauss. Time is working for him in his aspirations to establish highly competent German army equipped with most modern beapons. He is by nature impotuous, and his ambition and aggressiveness raise grave doubts about future German course if his influence continues increased. His chances of becoming

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Chancellor in near future still soom slim but for long-term he is distinct possibility.

Counterbolapsing such influences is sober and wise counsel of men like Olobke and Krone who keep long-range policy more in mind, particularly elliance with US. Brentano does not have voice in foreign policy decisions commensurate with his office; nevertholess he generally does creditable job-Constant undercutting by Blankenhorn, won Eckardt, and even Chancellor has prestly weakened Brentano's authority.

Departure of State Secretary Hallstein takes one loyal and respected advisor of Chancellor from ranks of those in Foreign Office who advocate hard policy toward USSR and whole basic sympathics toward US unmistakable, His successor, Scherpenberg, while fundamentally pro-West, is much less experienced than Hallstein in political questions and may be somewhat naive about Soviet Union.

Main change in question Chancellor's successor during 1957 was clear exergence of Erhard as second in line. His popularity as campaigner buttrescud by extensive industry-paid press campaign featuring his free-market philosophy which built him up in public eya. It is interesting to note he has no

strong or anhesive political following, and his party strongth lies DISTRIBUTION

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primarily in his ability as woch-gotter and credit given him for prosperity.

New Finance Minister Etzel is still unknown quantity, but if he successfully copes with problems of defense costs and tax reform in period when economic leveling-off expected, he will gain in stature. His strong support of Chancellor's foreign policy in well known, and he is convinced "European."

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Domertic. Political stability assured by 1957 elections bringing ODU Govt back to power with unprecedented majority. Govt in favorable position with present type democratic institutions popular largely as result economic recovery and restoration international respectability. All radical forces in body politic reduced to insignificance, and Covt should continue enjoy popular support barring aujor setbacks in equaly or foreign policy.

Endorsement of Govt policies in 1957 election does not mean any In 1958 there will be elections in lessening of political activity. five states which control [Bundosrat votes: North Rhine-Westphali House, Schlasvigdolstoin, Bavaria and Berlin, involving over 25 million qualified voters or two-thirds of electorate. Both national and international policies will continue play large part in elections, and results will be interpreted by victorious parties as indication of support for national policies. Chancellor recognises this and plans take active part in compaign.

(CDU) Adenauer remains in firm control of CDU, and electoral considerations this year will discourage dissencion in party ranks. ODU remains loose agglomorate of disjurate elements but eight years

of governing have developed art of compromise within narty.

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Adonauer is, however, in his 63rd your, and question naturally arises how long he can continue give forceful leadership necessary. While party remains fully responsive to his will on basic questions, there are strong and independent CDU Depution, and Bundestag faction will not be more rubber stamp.

Should Chancellor die, party would probably not split, but there would cortainly be confusion and dispersion of power. Hen like Gorstenmaier and Kiesinger would achieve greater prominence in foreign policy formulation as would Foreign Office bureaucracy.

Only Tikely contender for power is SPD which still trying to pull itself together after lat election defeat. To date, reform movement in party confined to optical and organizational changes, and there seems little under present circumstances prospect/of more constructive opposition role or of strength of leadership or clarity of policy to expand significantly beyond traditional class support.

FDP is still able to make nuisance of itself but at propent is without power and, like DP, depends for survival primarily on making
inroads into present CDV supporters. Trend seems in opposite direction,
toward continued domination German politics by CDV and SPD.

(Issues) Popular su port for policy of "no experiments" which was so successful in election could be weak ned by loss of

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confidence in either political or economic security, and Government will in 1956 be mainly concerned with prices, taxes, and defense costs.

On latter score, prosperity is not expected to increase at past rate but is at unprecedented high in Fod Rep and leveling off would not have major political effect although it may sharpen industrial conflict.

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Preceding

Conclusions, Adenauor has capability to hold to his main poliny line as long as effective US leadership, Soviet intransigence and Western solidarity are demonstrable. If any of those three main bases of West German policy appear to alter substantially, Chancellor will probably feel compalled make corresponding adjustments his own position. Extent those adjustments will be affected by magnitude of public fear nuclear wer and concern about costs and ultimate outcome of cold war. What and how much Adenauer has to do would depend much on Soviet cleverness. In past Soviets unwillingness concede reunification has been major asset for West, and if Sovs continue demonstrate this unwillingness openly, this will automatically limit degree to which Fod Rep under prossure to sack settlement. Conversely if Soviets should unexpectedly prove able to handle reunification question more adroitly, severa strains could be put on Fed Rep's relations with West. Factor of similar importance is Fed Rap's confidence in US, which could be shaken by such adverse developments as important economic difficulties, worsening of President's health, further impression of uncertainty or confusion in US like that resulting from Sputnik, or additional rifts in Atlantic Alliance. Finally, if, on balance, Communicts seem to gain advantage over West in world struggle,

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Corman confidence in West alliance as now constructed would be weakened and search for alternatives intensified and those here who have insisted Germany could and should make decisions alone would be more outspoken and more beeded.

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COORD (in draft). - RHKranich SRBolton - Ediener

Approved in final draft by the Ambassador and Masterine DCM

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